

Financial Policies and Procedures
Records, Reports and Cost Analysis

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0101 OVERVIEW

This chapter establishes the Department of Veterans Affairs (VA) financial policies and procedures for debt management recordkeeping, reporting, and specific cost analysis as stated in 31 U.S.C. 3719, Reports on Debt Collection Activities. The chapter incorporates guidance from the Department of the Treasury (Treasury) and the Office of Management and Budget (OMB).

010101 RECORDS. VA will maintain general guidelines and a record keeping system to identify the various debts and the debt collection activities,

010102 REPORTS. VA will provide required reports on debt collection actions and as required by Treasury and OMB.

010103 COST ANALYSIS. VA will perform an annual cost analysis by performing an administrative cost study of its debt collection activities to determine the monthly administrative fee assessed on debt.

0102 POLICIES

010201 RECORDS. To prepare reports as required by Treasury, VA will maintain loan and accounts receivable records as appropriate, to include type of debt, program and appropriation.

010202 REPORTS. VA will collect and incorporate the required data into the quarterly Treasury Report on Receivables Due from the Public (TROR)¹, such as the status of outstanding nontax claims, including loans and accounts receivable managed by VA, information from the Department of Justice (DOJ) reports, and information from VA's Regional Counsel (RC) reports.

010203 COST ANALYSIS. Each Administration's Chief Financial Officer (CFO) and the Deputy Assistant Secretary (DAS) for Finance, Austin Financial Services Center (FSC) and the Debt Management Center (DMC), will perform an administrative cost study of VA's debt collection activity on an annual basis.

0103 AUTHORITY AND REFERENCES

010301 31 U.S.C. Chapter 37, Subchapter II, Claims of the United States Government

010302 31 U.S.C. 3719, Reports on Debt Collection Activities

010303 31 C.F.R. Chapter IX, Federal Claims Collection Standards (Department of the Treasury--Department of Justice)

¹ Volume 1, Chapter 8, *Period-Ending Procedures* discusses period end procedures specific to the TROR.

010304 38 C.F.R. Part 1, Section 1.900-1.953, Standards for Collection, Compromise, Suspension or Termination of Collection Effort, and Referral of Civil Claims for Money or Property

010305 OMB Circular A-129, Appendix A, Paragraph V, Delinquent Debt Collection

010306 Department of the Treasury Guide: Managing Federal Receivables

010307 Treasury Financial Management Service Treasury Report on Receivables Instructions

0104 ROLES AND RESPONSIBILITIES

010401 The Assistant Secretary for Management/Chief Financial Officer (CFO) oversees all financial management activities relating to the Department's programs and operations, as required by the Chief Financial Officers Act of 1990 and 38 U.S.C. 309. Responsibilities include the direction, management and provision of policy guidance and oversight of VA's financial management personnel, activities and operations. The CFO establishes financial policy, systems and operating procedures for all VA financial entities and provides guidance on all aspects of financial management.

010402 Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chiefs of the Finance Activities, Chief Accountants, and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

010403 The Office of Financial Policy (OFP) Management and Financial Reports Service (MFRS) has the direct responsibility for preparing, reviewing, and disseminating VA's consolidated financial reports, including the TROR, and other information to OMB and Treasury. MFRS consists of a Financial Reports Division and a Management Controls Division.

010404 The Chief of the Finance Activity will ensure that appropriate procedures in accordance with this chapter are followed for debt management recordkeeping, reporting and cost analysis.

010405 The Veterans Health Administration's (VHA) Chief Business Office (CBO) will provide the report on the Medical Care Collection Fund (MCCF) first-party (including pharmacy copayments and long-term care) and third-party receivables on a quarterly basis. CBO extracts the report data from its data warehouse and submits it to the VHA CFO by close of business 20 days after the end of each of the first three quarters and by close of business 30 days after the end of the fourth quarter of each fiscal year. VHA CFO reviews and submits the report to MFRS and provides a copy to the Cash and Debt Management Division (CDMD).

010406 The Veterans Benefits Administration (VBA) will complete the TROR report for direct and defaulted loans as well as noncredit benefit appropriations. VBA will forward the report to CDMD subject to the same schedule cited in 010405 above.

010407 The Debt Management Center (DMC) will provide Part II of the TROR for each appropriation that it has collection responsibility. The reports will be sent to both CDMD (047GC1) and VBA Finance Services within 10 days after the end of the quarter. VBA will then complete and submit the reports to CDMD subject to the same schedule cited in 010405 above.

010408 The Supply Fund (36X4537) and the Veterans Canteen Service (36X4014) will complete and submit their reports to MFRS, which will review them before submission to CDMD.

010409 The Management and Financial Reports Service (047GB1) will complete the TROR for VA Central Office (VACO) staff offices and the National Cemetery Administration appropriations. In accordance with paragraph 010407 above, MFRS will review completed reports from the Supply Fund Service and the Veterans Canteen Service before submitting these reports to CDMD. Reports are due in CDMD subject to the same schedule cited in 010405 above.

0105 PROCEDURES

010501 RECORDS. VA will meet its reporting requirements relating to debt collection activities by maintaining both financial and programmatic records that will contain debt-related information to help meet user reporting needs. It is important that VA's records on indebtedness are accurate, since the data therein will become part of a wider report on such activities at the Federal level, specifically in reports such as the TROR. The record keeping procedures will include the following:

- A. The Chief of the Finance Activity, various offices within VACO's Office of Management, and the DMC will promptly document all collection actions, by program, type of debt, and appropriation, including records of debts waived, compromised, suspended, terminated, or referred to the RC or DOJ for enforced collection (litigation).
- B. The Chief of the Finance Activity who refers accounts receivable to other VA components or external agencies for collection action or advice will continue to track the current status of those receivables for reporting and accounting purposes.
- C. VA will reconcile Departmental records on a quarterly basis. This requirement does not supersede a more frequent requirement by an Administration's CFO.

010502 REPORTS. VA will prepare the TROR, which serves to inform Federal decision makers of the gross book value of the receivables owed to Federal agencies and the status of the Federal Government's debt portfolio.

A. The TROR and the instructions are located on the Treasury Financial Management System website. VA input to the report is transmitted via the Internet using Treasury's Debt Management Information System (DMIS). The report contains two columns: "Number of Receivables" and "Dollars" (principal and interest are combined under Dollars). The TROR enables Treasury to capture data of greater relevancy to Congress and OMB, while simultaneously reducing reporting requirements for data that has minimal value for Government-wide debt management purposes.

B. The TROR presents data cumulatively by fiscal year. It is due to Treasury's Financial Management Service (FMS) by the end of the 30th day of the month following the close of each of the first three quarters. The fourth quarter, which is the year-end report, is due by November 15. The information on the TROR will be consistent and reconcilable with amounts reported in the financial statements and other VA reports.

1. The TROR information will support and reconcile to the General Ledger. Accuracy is very important because Treasury provides data from the report to Congress, OMB, Agency Chief Financial Officers, the Federal Credit Policy Working Group, other officials and representatives of Federal and state organizations, private sector organizations, and the public. See Appendix B, *Internal Controls for Preparing and Completing the TROR*, specific to VA.

2. All appropriations with receivable balances greater than zero, or appropriations that have receivable activity in the quarter will be reported on the TROR. Treasury monitors and evaluates VA referral and collection performance which assists VA to effectively use the TROR as a performance management tool for assessing and improving their debt collection performance.

C. The TROR is a combined accounting/management information report on the status of debts owed VA. The TROR consists primarily of three parts: (1) Status of Receivables, (2) Debt Management Tool and Technique Performance Data and (3) Footnotes.

1. Status of Receivables. This section contains outstanding receivable balances, current fiscal year activities, aging and classification of delinquent debts, and classification of rescheduled debts.

2. Debt Management Tool and Technique Performance Data. This section incorporates management information on the status of delinquent debt, including currently not collectible (CNC) debt, by collection management tools and techniques, age, eligibility for referrals, collections, and debt disposition.

a. OMB established new reporting requirements of Federal Chief Financial Officers pursuant to the Debt Collection Improvement Act of 1996 (DCIA). As a result, Treasury requires agencies to report CNC debts as part of the TROR as follows:

PART II, SECTION D DEBT DISPOSITION

- (1) Currently not Collectible (Written Off and Not Closed Out)
 - (A) At Private Collection Agencies (+)
 - (B) At Treasury or a Designated Debt Collection Center for Cross Servicing (+)
 - (C) At Treasury for Offset (+)
 - (D) Other – must footnote (+)
- (2) Debts Reported to IRS on Form 1099-C (Written Off and Closed Out)

(1) This information provides Treasury with current data on the write-off and close-out of delinquent debts that have been identified as CNC. Write-off is mandatory for delinquent debt older than 2 years, unless documented and justified to OMB in consultation with Treasury. Once the debt is written off, VA will classify the debt as either CNC or close-out the debt. If VA determines that continued collection efforts after mandatory write-off are likely, the debt is written off, but not closed out. The collection process continues until VA determines it is not cost effective to pursue collection. At that point the debt is closed out.

(2) VA will report the required information for CNC debts closed out in the current and previous calendar years. In addition, agencies will provide the number and dollar amounts of closed-out debts that are not reported as income to the Internal Revenue Service (IRS) on IRS Form 1099-C, due to a legal or statutory exception or for other reasons.

b. Debt Collection Reports on Enforced Collections referred to the Department of Justice and VA's Regional Councils.

(1) Department of Justice. The Chief of the Finance Activity, except at the DMC, will maintain a record of debts that are referred to DOJ for enforced collection and will prepare a quarterly DOJ Debt Collection Report (RCS 04-0462), VA 5320a, which is due in VACO by the fifth workday after the end of each quarter. The DMC will maintain similar records and will submit computer-generated computer output identification number (COIN) reports for debts maintained in the Centralized Accounts Receivable System (CARS) by the fifth workday of each month. One copy of the report for each appropriation or category is required.

(2) Regional Counsel. The Chief of the Finance Activity, except at the DMC, will maintain a record of debts that are referred to the RC for enforced collection and will prepare a monthly RC Debt Collection Report (RCS 04-0464), VA Form 5320b, which is due in VACO by the fifth workday after the end of each quarter. The DMC will submit computer-generated COIN reports for debts maintained in CARS by the fifth workday of each month. One copy of the report for each appropriation or category is required.

(3). Instructions in Appendix A are used for preparing both reports. The lettering scheme is different since some lines from the DOJ report are not found on the Regional Counsel Debt Collection Report, while one line on the Regional Counsel Debt Collection Report is not on the DOJ report. The line that is unique to the Regional Counsel Debt Collection Report is Line C, "Resolved." It records the number and dollar amount of accounts returned for disposition during the fiscal year. This may include accounts collected, accounts returned for collection, compromises and write-offs.

3. Footnotes. Within the TROR, footnotes are required to explain VA's exceptions to the TROR data requirements.

D. Post TROR Related Reports

1. The OMB Metric Tracking system was implemented in December 2004 and it allows Federal agencies to provide shared performance data via the Internet. Metric 3a, "Delinquent Accounts Receivable from Public," uses quarterly TROR data to measure success in reducing or eliminating delinquent accounts receivable due from the public. OMB tracks performance on key financial indicators to assess the overall financial management health of the Federal Government.

2 The annual certification and verification processes for the TROR has been combined and is due on November 15, following the end of each fiscal year. Verification means that the TRORs have been reconciled to VA's Audited Financial Statements. Certification means that the delinquent debt amounts reported on the TROR for cross-servicing and offset are correct and legally enforceable.

010503 COST ANALYSIS

Each Administration's CFO and the DAS for Finance, Austin FSC and the DMC, will perform an administrative cost study of debt collection activities on an annual basis to determine the existing rate used for assessing an administrative cost for debt that has not been collected in a timely manner. This cost analysis will be submitted to Cash and Debt Management Division (047GC1) by close of business of the 15th workday in October of each year.

VHA's CBO calculates the charge for all VHA medical debts and the DMC calculates the charges for all VBA debts (under their jurisdiction) to determine a single monthly charge or different charges for debts arising from different programs or activities. The monthly administrative cost is a fixed amount that is owed by the debtor for each full or partial 30-day period that the debt is delinquent.

0106 DEFINITIONS

010601 Close-Out. Occurs when an agency, after determining that additional future collection efforts on a debt would be futile, reports the amount of a terminated debt to the Internal Revenue Service (IRS) as potential income to the debtor on Form 1099-C,

Cancellation of Debt. For debts that are not reportable to IRS, close-out never actually occurs.

010602 Compromise. An offer and acceptance of a partial payment in settlement and full satisfaction of the offeror's indebtedness, as it exists at the time the offer is made. It is a final settlement, binding on the parties to the compromise, unless procured by fraud, misrepresentation of a material fact or mutual mistake of fact.

010603 Currently Not Collectible (CNC). Debts that have been terminated but not closed out that VA may still collect in the future. While this designation may be used for any such debts, the primary use of this designation is for those debts that VA has terminated and thus removed from VA's financial records, but that have been referred to Treasury for TOP and/or for cross-servicing.

010604 Debts. Claims for money made by or owed to the Government, arising out of activities of VA.

010605 Delinquent. In the case of most administrative debts (e.g., overpayments) for which payment plans have not been established, delinquency occurs when payment is not made by the due date specified in the initial billing notice (usually 30 calendar days from the date the notice is mailed).

010606 Offset. The collection of a debt, in part or in full, from moneys a debtor is currently receiving or may receive in the future from the Government.

010607 Treasury Report on Receivables and Debt Collection Activities (TROR). The TROR serves as a management report that informs Federal decision makers of the gross book value of the receivables owed to Federal agencies and the status of the Federal Government's debt portfolio.

010608 Waive. A decision that conditions exist, under the applicable statutes (38 U.S.C. 5302 and 5 U.S.C. 5584) and implementing regulations (38 CFR 1.955-1.969, 17.105), that prohibit recovery by VA of certain debts as defined in the statutes and regulations, including interest and other late payment charges assessed on such debts.

010609 Write-Off. This process involves reducing receivables in accounting records as a result of the determination that they are uncollectible. All write offs will be made through allowance accounts for bad debts. Under no circumstances are debts to be written off directly to expense. Write offs should be distinguished from reversals of receivables. Federal accounts receivable are not written off; they are cancelled.

0107 RESCISSIONS

010701 VA Handbook 4800.20, Records, Reports and Accounting

0108 QUESTIONS

Questions concerning these financial policies and procedures should be directed as follows:

VHA	VHA Accounting Policy (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
All Others	OFP Accounting Policy (Outlook)

APPENDIX A

INSTRUCTIONS FOR VA FORM 5320a.

(Note: In general, the instructions given below for preparing the DOJ report apply for preparing VA Form 5320b)

General Instructions:

- A. A separate report will be submitted for each type of debt and appropriation symbol (e.g., Education Loans, 36X4118). Negative reports are not required. Note that each education loan debt or home loan guaranty debt will be reported as a separate debt when a Veteran has more than one loan.
- B. Amounts will be rounded to the nearest dollar.
- C. Dollar amounts will be broken down into principal and late-charge components.
- D. A minus sign (-) should be entered before negative number and dollar amounts.
- E. Only first-party medical care debts (debts owed by Veterans) referred to DOJ for enforced collection should be reported, such as pharmacy and means test copayment debts. Third-party debts (debts owed by insurance companies) should not be reported.

Form Instructions:

Line A "Accounts on Hand Start of Quarter"

Line A must equal Line G, "Accounts on Hand End of Quarter," from previous quarter's report. Amounts in Line A are always positive (or zero).

Line B "Accounts Referred During Quarter"

Line B represents the number and dollar amount of accounts referred to DOJ during the quarter. Amounts in Line B are always positive (or zero).

Line C "Cash Collections (-)"

Line C represents the total dollar amount collected during the quarter by DOJ and VA. Amounts in Line C are always negative (or zero).

Line D "Property and Other Non-Monetary Settlements (-)"

Line D represents the number and dollar amount of claims for which property, service, or other non-monetary settlement was accepted during the quarter by DOJ in lieu of a monetary settlement. Amounts in this line will almost always be zero. However, if amounts other than zero are reported, those amounts must be negative.

Line E "Returned to Agency"

Line E (1) "For Collection (-)" represents the number and dollar value of claims returned to VA after judgment or settlement to await receipt of payment from the debtor. Amounts in Line E(1) are always negative (or zero).

Line E (2) "Paid in Full (-)" represents the total number of accounts only. Amounts in Line E (2) are always negative (or zero). The dollar value of these collections will be included in the amount reported in Line C, "Cash Collections."

Line E (3) "Returned to Agency, Otherwise Resolved (-)" represents the total number and dollar value of accounts returned by DOJ during the reporting quarter for disposition. DOJ will recommend proper disposition. Accounts resolved may include compromises or write-offs. Amounts in Line E(3) are always negative (or zero).

Line F "Adjustments (+ or -)"

Line F represents changes to the number and dollar value of accounts during the reporting quarter that cannot be classified in the other lines of the report, such as accrued interest, correction of previous reporting errors, or cases returned because administrative collection is possible. Line F may be either negative or positive and should be reported accordingly.

Line G "Accounts on Hand End of Quarter"

Line G is the sum of Lines A through F. Amounts in Line G are always positive (or zero).

APPENDIX B

Internal Controls for Preparing and Completing the TROR

A. Financial Reporting Division (FRD)

1. FRD is responsible for preparing the TROR reports for all VA funds other than those for VBA and VHA. (as of FY 2008 VHA now completes all VHA TRORs. Previously they only completed the MCCF TROR). Each Staff Accountant is assigned specific funds and responsible for preparing Part I of the TROR (receivables and collections) and delinquent debt by age.

2. At the end of each quarter, the FRD Staff Accountant will obtain the receivables report from VA's FMS that displays the trial balance for receivable ledger accounts related to their funds. Adding new account activity (debits to accounts receivable accounts) to the carry over beginning balances and deducting collections (credits to accounts receivable accounts) will compute the period's ending balance. The FRD Staff Accountant verifies the computed amount to financial model's account receivable balance. The staff accountant will complete the aging of delinquent debt section required on the TROR by querying RSD for the "Aging Accounts Receivable Report" for that fund.

B. VBA Finance Service (FS)

1. VBA's FS is responsible for preparing the TROR report for all VBA funds. Unlike FRD and VHA where the accountants prepare only portions of the TROR, VBA's FS prepares the entire TRORs for VBA activities except the Life Insurance Funds. 047GC1 completes Currently not Collectible (CNC) Write-off calculations for those funds.

2. At the end of each quarter, the VBA Staff Accountant will obtain the receivables report detailing counts and amounts from the individual sources such as the Debt Management Center, Loan Servicer as well as an FMS and Hines generated report. VA's FMS contains the trial balance for receivable ledger accounts related to their activities. Adding new account activity, such as establishments and accruals (debits to accounts receivable accounts), to the carry over beginning balances and deducting subtraction, such as collections and foreclosures (credits to accounts receivable accounts) will compute the period's ending balance.

3. The VBA Staff Accountant verifies the computed amount to accounts receivable balance in the MinX Trial Balance Report. The VBA Staff Accountant will complete the aging of delinquent debt section required on the TROR by querying RSD for the "Aging Accounts Receivable Report", "Loan Servicer Report", and "Debt Management Center Reports" for that activity. These reports include counts and amounts by age, detail on Treasury referrals and action, internal collection action and disposition of receivables.

(Note: The Insurance Aging Accounts Receivable data is maintained in a data bank outside of RSD)

C. Review and Footnotes. The reports are reviewed for reasonableness and any unusual events are footnoted. VBA and VHA Finance Staff Director or the APRD Chief certifies that the receivables balances on the TROR reports are equal to the accountant receivable balances in the Trial Balance Report in MinX (C.7.4.4.0.7.6). The TROR reports are then forward to OFP for consolidation with other VA TROR reports.

D. Completion and Consolidation of Individual TRORs

1. The CDMD TROR Coordinator receives TROR information for the funds having account receivable balances/activities from the three sources identified in the previous section. The reports for VBA except Life Insurance are complete when received. However, for the remaining funds, the CDMD TROR Coordinator completes the TROR reports by adding currently not collectible (CNC) data and delinquent debt information to Part II of the report. There are several sources of input that the CDMD TROR Coordinator relies on, including data extracts from the Debt Management Center, adhoc reports, and other database feeder systems. CDMD TROR Coordinator relies on the accuracy of the information received. However, the CDMD TROR Coordinator performs comparative analysis and a reasonableness review of aging of delinquent debts, as well as accounts receivable balances, to identify spikes up or down or other unusual conditions that warrant follow up with program offices. Once the CDMD TROR coordinator is satisfied that the information on the individual TRORs are fairly presented, he submits the TRORs to FRD TROR Coordinator.

2. FRD TROR Coordinator receives the individual TRORs from the CDMD TROR Coordinator and consolidates them, using an MS Excel spreadsheet, into the 11 roll up reports or entities per Treasury guidance. FRD TROR Coordinator checks the individual TROR balances received to the associated financial statement model, ensuring that the total balance reported by fund agrees with accounts receivable trial balance (C.7.4.4.0.7.7). The FRD TROR Coordinator also compares the consolidated TROR to the accounts receivable balance on the consolidated financial statement to ensure they agree (C.7.4.4.0.7.8). The FRD TROR Coordinator then submits the TROR report to CDMD TROR coordinator for his final review.

E. Submission of TRORs to Treasury

1. Quarterly submission. Once the CDMD TROR Coordinator completes his review of the 11 Treasury Entity TRORs, they are sent back to the FRD TROR Coordinator, who submits the TRORs to Treasury through the Debt Management Information System (DMIS), a web based password protected application. One final review is done by the CDMD TROR Coordinator and if correct they are then officially transmitted to Treasury by the FRD TROR Coordinator.

2. Year-end submission. Additionally, Treasury's FMS requires agencies to verify and certify their fiscal year-end TRORs. In order to meet this requirement, CDMD TROR coordinator prepares the certification letter that is signed by the ADASFP. When submitting the certification letter to the ADASFP, the CDMD TROR coordinator provides supporting documentation, including the reconciliation between VA's financial statements and the TRORs, with explanation for differences, if any. At the completion of the ADASFP's review, the certification letter is signed and faxed to Treasury's FMS (C.7.4.4.0.7.9).